

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

CIVIL ACTION NO. 03-10263-RWZ

JOHN G. ALDEN, INC. OF MASSACHUSETTS

v.

ALDEN YACHTS CORP.

v.

TEXTILE RUBBER & CHEMICAL CO., INC.

MEMORANDUM OF DECISION

July 20, 2005

ZOBEL, D.J.

Plaintiff John G. Alden Inc. of Massachusetts and defendant Alden Yachts Corporation<sup>1</sup> once again dispute their rights with respect to certain trademarks. At some time in or after the mid-1980's, Textile Rubber & Chemical Co., Inc. ("Textile") acquired plaintiff and John G. Alden Insurance, Inc. from the parent company, John G. Alden, Inc. ("JGA"). Plaintiff contends that JGA retained ownership of certain trademarks and a rope logo ("Alden marks"). In contrast, defendant asserts that it licensed the Alden marks from Textile on April 30, 1996, when it bought Textile's yacht

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<sup>1</sup> Plaintiff states that defendant was incorporated in 1996 and was formerly known as Alden Acquisition Co., Inc. and The Alden Group, Inc. Pl.'s Stat. of Undisputed Facts at ¶ 22. The 2000 lawsuit and the Settlement and License Agreements, to be defined and discussed herein, are with The Alden Group, Inc., but the parties agree that they now bind defendant. Similarly, the Lease/Purchase Agreement, also to be discussed, was originally between Textile and Alden Acquisition Co., Inc., but now appears to bind defendant.

division. Pursuant to that sale, defendant and Textile entered into a Lease/Purchase Agreement, in which Textile subleased to defendant certain real estate and leased to it tangible and intangible personal property (collectively defined as “Assets”) for a five-year term beginning on May 1, 1996, and ending on April 30, 2001. The intangible personal property included the Alden marks. In exchange, defendant paid Textile \$300,000 per year for the five years. The agreement also allowed defendant to purchase the Assets for one dollar at any time during the first six months of the fifth year. In 1998, two years into the Lease/Purchase Agreement, Textile sold plaintiff and JGA Insurance. Thereafter, in 2000, plaintiff contends that JGA assigned the Alden marks to it.

In July 2000, plaintiff filed a trademark infringement lawsuit against defendant. On August 21, 2000, plaintiff demanded that defendant become its licensee within four days otherwise it would seek an injunction to prevent defendant’s displays at upcoming boat shows. Concerned that it would be shut down at an upcoming boat show which would result in a “mark of death” for the company, defendant executed a Memorandum of Understanding (“MOU”) on August 25, 2000. Opp’n at 8. Four months later, the MOU was reduced to a settlement agreement (the “Settlement Agreement”) which terminated the pending lawsuit.

The Settlement Agreement, dated December 20, 2000, provided in pertinent part that plaintiff will retain the copyright on all of its designs, and defendant will not make any structural or exterior aesthetic modifications to the fiberglass deck or hull designs without written permission. Def.’s Exh. 59 at 5. The parties also agreed that any

breach of the agreement would allow the nonbreaching party to seek injunctive relief. Paragraph Two of the Settlement Agreement incorporated by reference a license agreement (the “License Agreement”), which the parties entered into on the same day. According to the License Agreement, plaintiff owned the Alden marks. Def.’s Exh. 58. Plaintiff granted defendant a royalty-free, exclusive license to use the single trademark “Alden Yachts,” but specifically prohibited the use of “Alden” alone. Id. at ¶ 2.1. In Paragraph 2.5a of the License Agreement, defendant agreed not to attack plaintiff’s title to the Alden marks. In the event that defendant breached the License Agreement, Paragraph 3.3 allowed plaintiff to terminate it upon 30 days’ notice if defendant failed to cure within said 30 days.

Plaintiff asserts that defendant thereafter breached the terms of both the Settlement and the License Agreements. Plaintiff sent notices to defendant of some of its breaches and allowed time to cure. Although defendant took steps to cure those breaches, plaintiff then demanded that defendant place corrective ads in certain magazines, and when it did not, plaintiff terminated the License Agreement in February 2003.

Subsequently, on February 10, 2003, plaintiff filed a Complaint in this Court against defendant, claiming relief on the following counts: (1) service mark and trademark infringement and counterfeiting under the Lanham Act, (2) breach of the Settlement Agreement, (3) breach of the License Agreement, (4) unfair competition under the Lanham Act and common law, (5) false designation of origin under the Lanham Act, (6) dilution in violation of federal law, (7) dilution in violation of state law,

and (8) unfair and deceptive trade practices. Defendant counterclaimed: first, it seeks a declaration that it is not in violation of the License Agreement or the Settlement Agreement and, second, it alleges that plaintiff breached its implied covenant of good faith and fair dealing. Defendant also filed a third-party complaint against Textile claiming breach of contract under the Lease/Purchase Agreement. Plaintiff now moves for summary judgment on Counts One, Two and Three, and on defendant's two counterclaims. Textile moves for summary judgment on defendant's third party claim.

Count One alleges that defendant infringed and counterfeited plaintiff's marks by continuing to use them after the termination of the License Agreement. Pl's Mot. at 18. Defendant counters that plaintiff did not lawfully terminate the License Agreement. Because the License Agreement did not allow plaintiff to dictate the specific terms of any cure, plaintiff's insistence that defendant choose between particular corrective advertising or the termination of the License Agreement was improper. Summary judgment as to Count One is denied.

In Count Two, plaintiff asserts that defendant breached the Settlement Agreement by modifying plaintiff's design for the Alden 54 boat to include a raised saloon. Plaintiff's claim for injunctive relief appears to be moot since it agrees that defendant placed only one ad for the modified boat in January 2003, which it did not repeat. Furthermore, it is unclear how plaintiff was damaged since it admits that none of the modified boats was sold. Summary judgment as to Count Two is thus denied.

In Count Three, plaintiff alleges that defendant breached the License Agreement in a number of specifics. In response, defendant questions the validity of the License

Agreement by asserting that it was obtained under economic duress. To establish economic duress, defendant must show that plaintiff performed a wrongful or illegal act that deprived defendant of its free will and forced it to make a disproportionate exchange of values. Delaney v. Chief of Police of Wareham, 539 N.E.2d 65, 70 (Mass. App. Ct. 1989). “[A]bsent compelling circumstances, the availability of a reasonable alternative, such as a legal or administrative remedy, will defeat a claim of duress.” Id. A contract formed under duress “is voidable, not void, and the person claiming duress must act promptly to repudiate the contract or release or he will be deemed to have waived his right to do so.” In re Boston Shipyard Corp., 886 F.2d 451, 455 (1st Cir. 1989) (citation and quotation marks omitted). Failure to repudiate the contract within a reasonable time may result in its ratification by: 1) accepting benefits under the contract, 2) remaining silent or acquiescing in the contract for a period of time after she has the chance to avoid it, or 3) recognizing its validity by acting on it or affirmatively acknowledging it. Id. (quotation marks and citation omitted).

This record is wholly inadequate to establish economic duress. Plaintiff’s statement that it would seek an injunction is not illegal, and it does not inevitably lead to the conclusion that plaintiff improperly induced defendant to sign the agreement. Defendant’s fear that plaintiff would likely have obtained the injunction since it had facially valid trademark registrations certainly does not suggest impropriety by plaintiff, even if such occurred just before an important boat show. In any event, even if defendant could demonstrate that it signed the MOU under duress, the License Agreement was not signed until four months later – well after the boat show.

Furthermore, defendant could have voided the agreement by repudiating it, but it did not do so. However, although the License Agreement survives for the moment, plaintiff's motion for summary judgment as to Count Three fails. Plaintiff alleges a series of small breaches, many of which have been cured and, as to the others, the record is ambiguous.

Plaintiff's motion for summary judgment as to defendant's first counterclaim that it did not breach the Settlement and License Agreements is denied because it relies on the same facts that merited the denial of summary judgment on Counts Two and Three. In its second counterclaim, defendant argues that the License Agreement should be rescinded because plaintiff breached its implied covenant of good faith and fair dealing. "The implied covenant of good faith and fair dealing provides 'that neither party shall do anything that will have the effect of destroying or injuring the right of the other party to receive the fruits of the contract . . . .'" Anthony's Pier Four, Inc. v. HBC Associates, 583 N.E.2d 806, 820 (Mass. 1991)(citation omitted). Defendant contends that plaintiff breached its covenant of good faith and fair dealing by "placing more than forty (40) advertisements that cause the exact same confusion for which it seeks to sue to Defendant." Opp'n at 19. It is unclear how these advertisements injured defendant's right to use the "Alden Yachts" trademark. In any case, even if plaintiff breached its covenant, defendant would be entitled to damages – not a rescission of the contract. See Sheehy v. Lipton Industries, Inc., 507 N.E.2d 781, 784 n.6 (Mass. App. Ct. 1987) ("As Restatement (Second) of Contracts § 205 (1981) makes clear, this covenant

pertains to bad faith in performance of a contract, not in its execution.”). Plaintiff’s motion for summary judgment as to defendant’s second counterclaim is allowed.

Next, Textile moves for summary judgment on defendant’s third party claim of breach of the Lease/Purchase Agreement. Defendant asserts that Textile lacked good title to the Alden marks and that it breached its duty to defend defendant in the first lawsuit filed by plaintiff, which settled in 2000. The contract on which defendant is suing states that “[t]his Agreement shall be governed by the internal laws (and not the law of conflicts) of the State of Rhode Island.” Exh. to Mem. of Defendant in Opp’n, Exh. 1 at ¶ 27. Because the parties erroneously assumed the applicability of Massachusetts law, summary judgment is denied.

Accordingly, plaintiff’s motion for summary judgment is denied as to Counts One, Two, Three, and defendant’s first counterclaim, but allowed as to defendant’s second counterclaim. Textile’s motion for summary judgment as to defendant’s breach of contract claim is denied.

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DATE

/s/ Rya W. Zobel  
RYA W. ZOBEL  
UNITED STATES DISTRICT JUDGE